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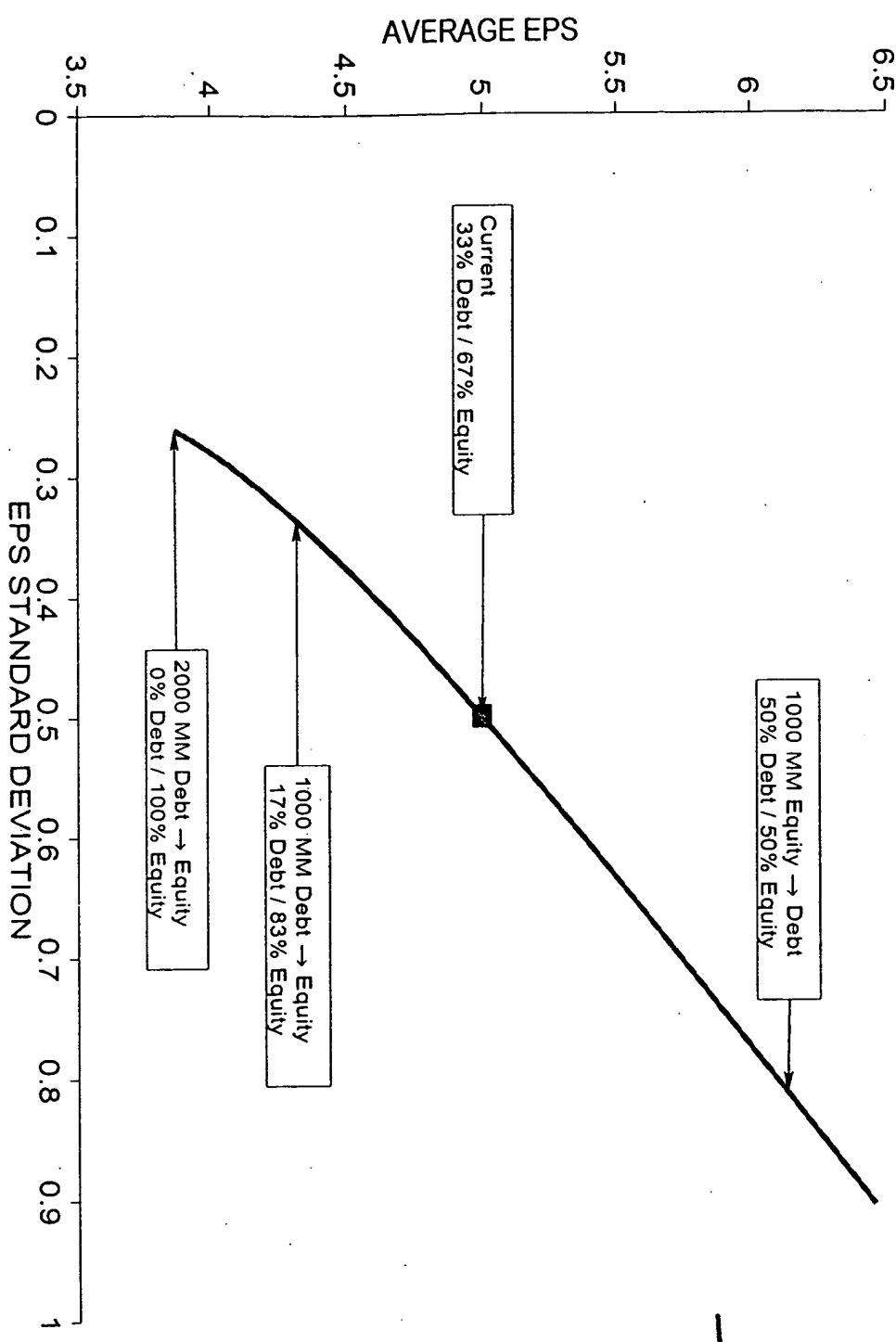


Fig. 1

Fig. 2

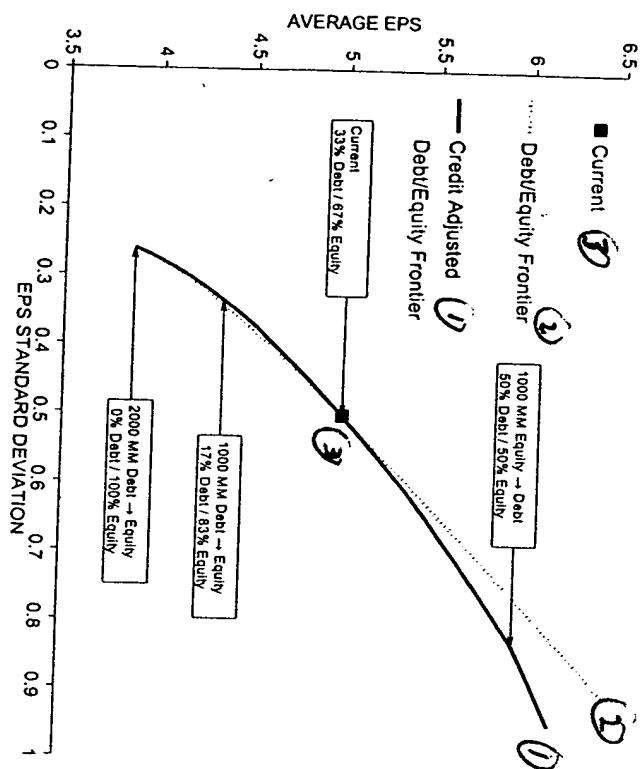
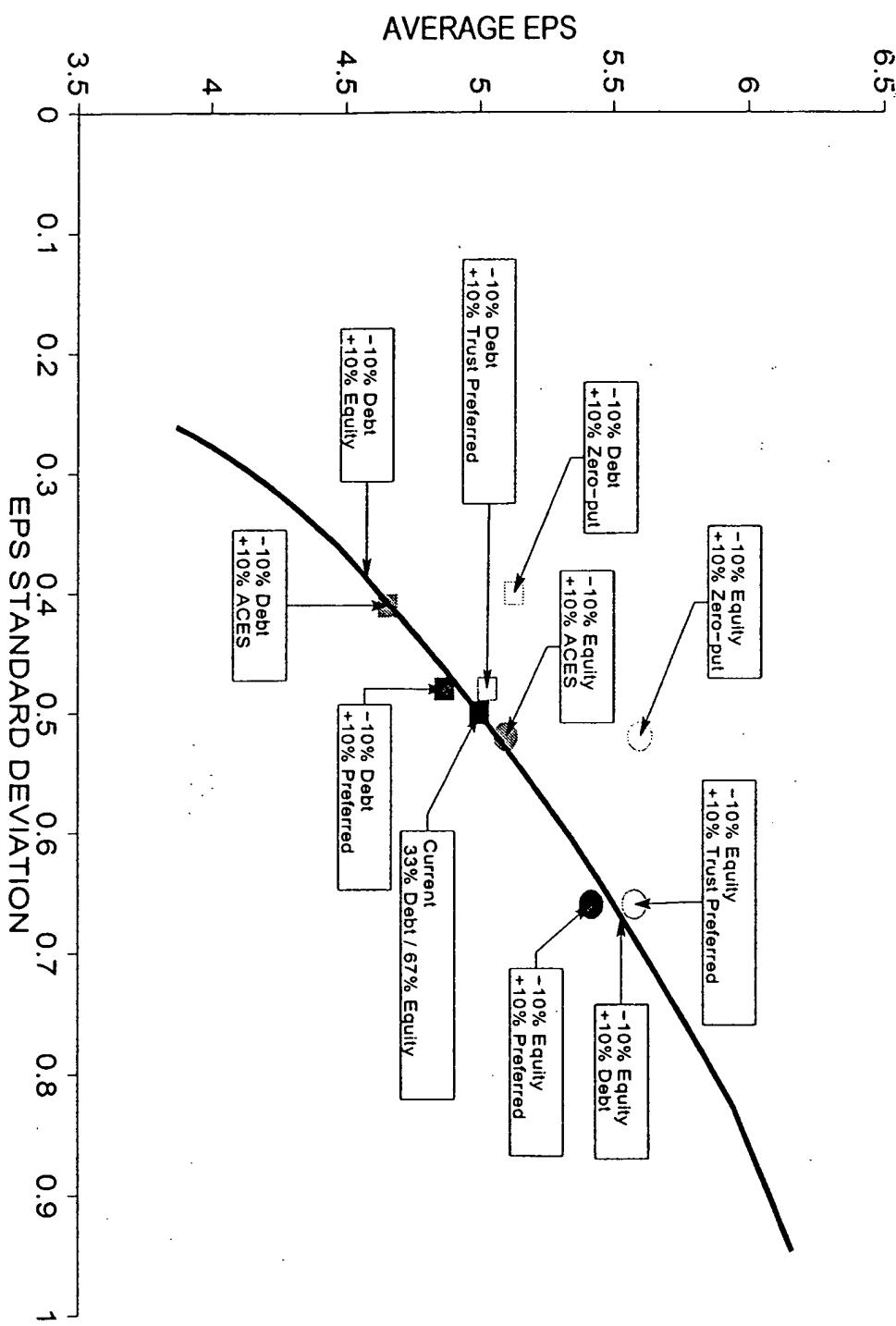


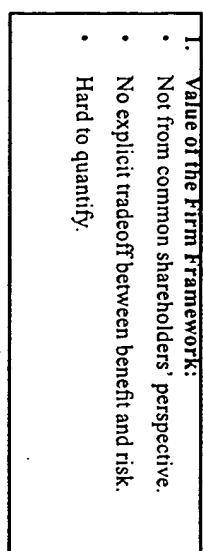
Fig. 3



FIS. 4

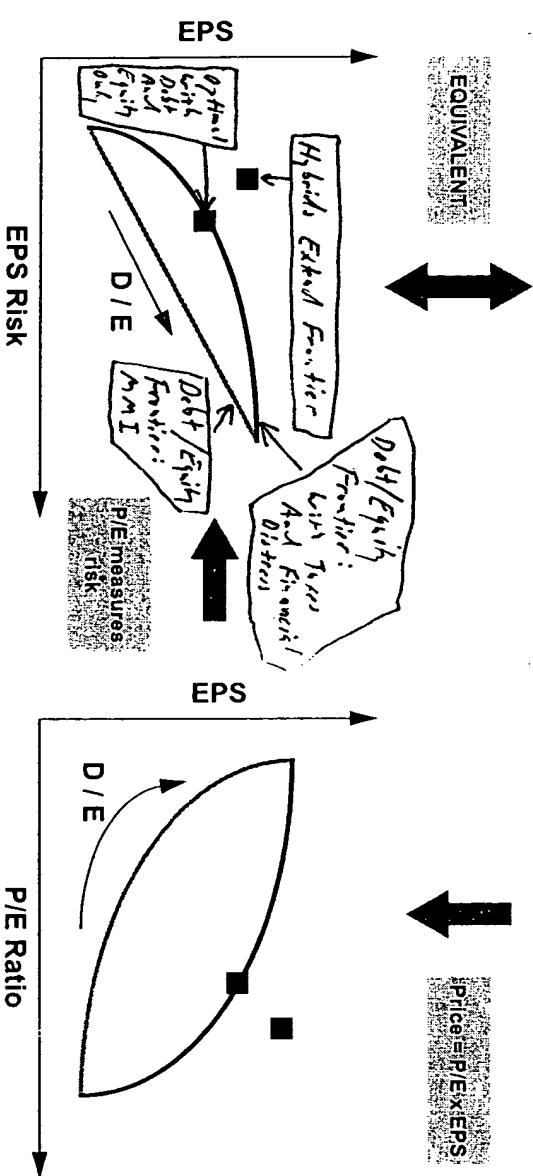
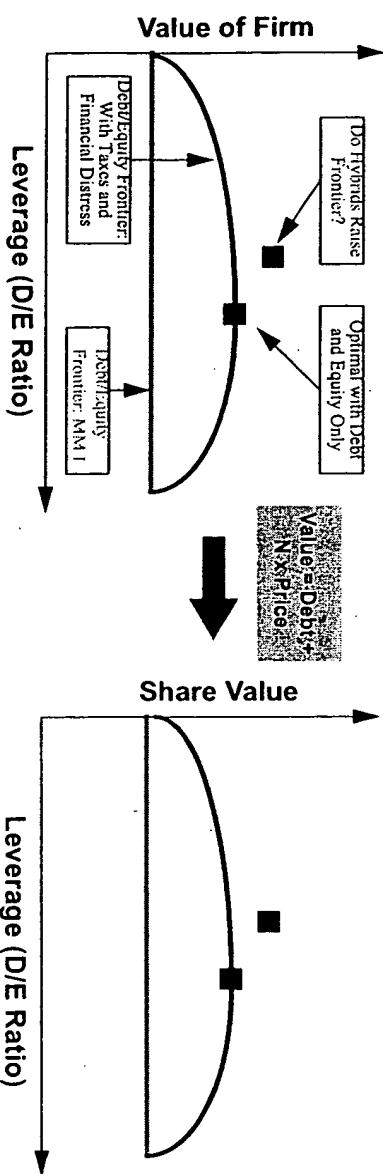
1. **Value of the Firm Framework:**

- Not from common shareholders' perspective.
- No explicit tradeoff between benefit and risk.
- Hard to quantify.



2. **Shareholders' Perspective:**

- Value of Firm = Shareholders' value + Other Stakeholders' value.
- Management acts in interest of shareholders to maximize per share value (or share price).
- MM I: Share price independent of leverage.



3. **Explicit Trade-off Perspective:**

- Share Price = EPS x P/E Ratio.
- Increasing leverage increases EPS but decreases P/E.
- MM I: EPS and P/E exactly inversely proportional.

4. **EPS Framework:**

- Common shareholders' perspective.
- Explicit tradeoff between benefit and risk.
- Easy to quantify.

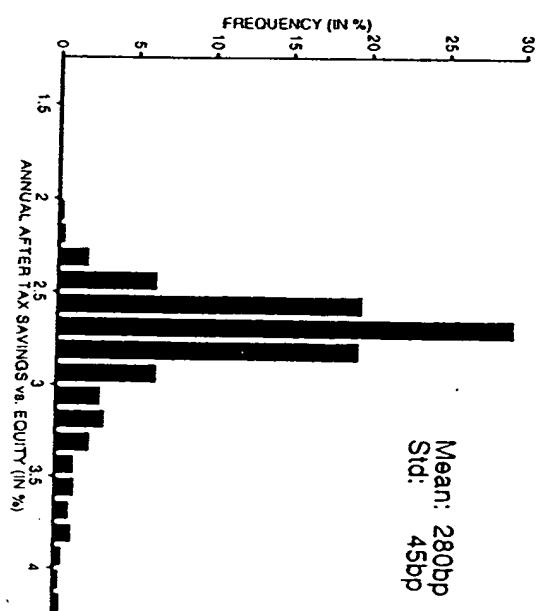


Fig. 5

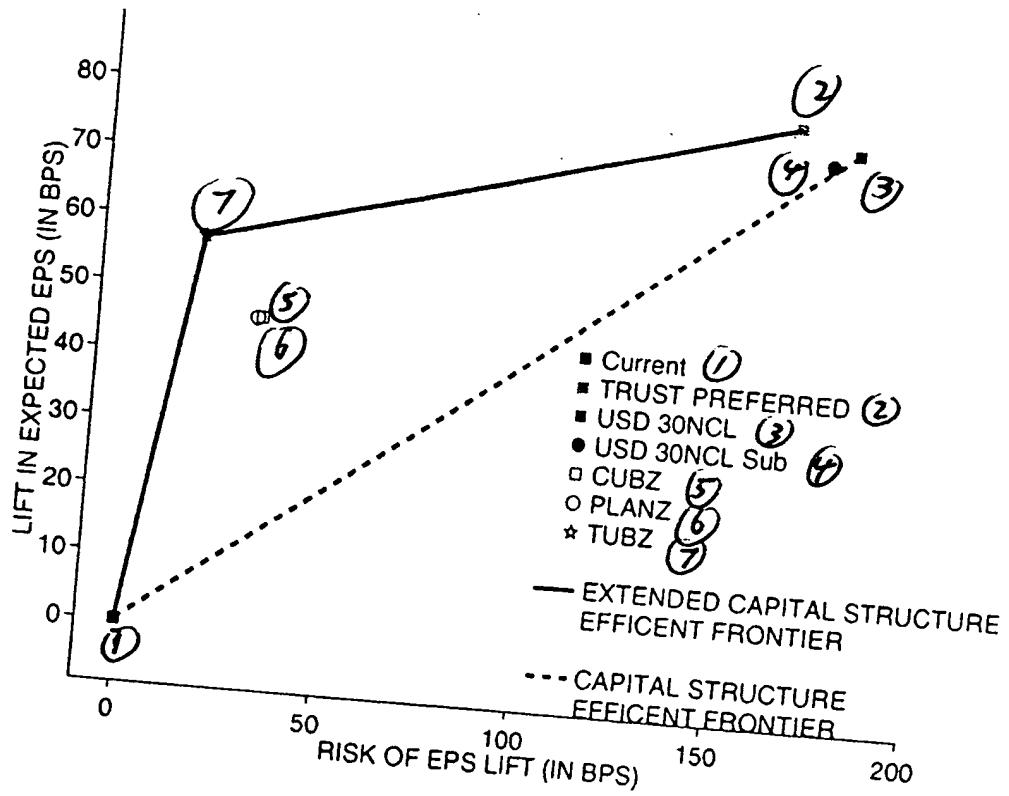


Fig. 6

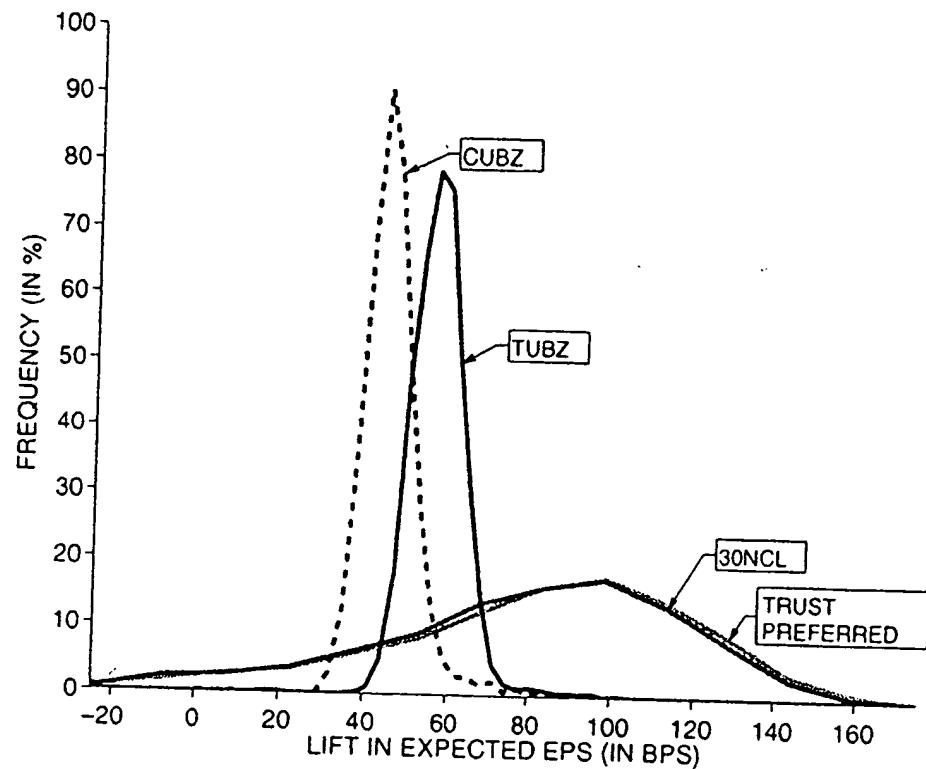


Fig. 7

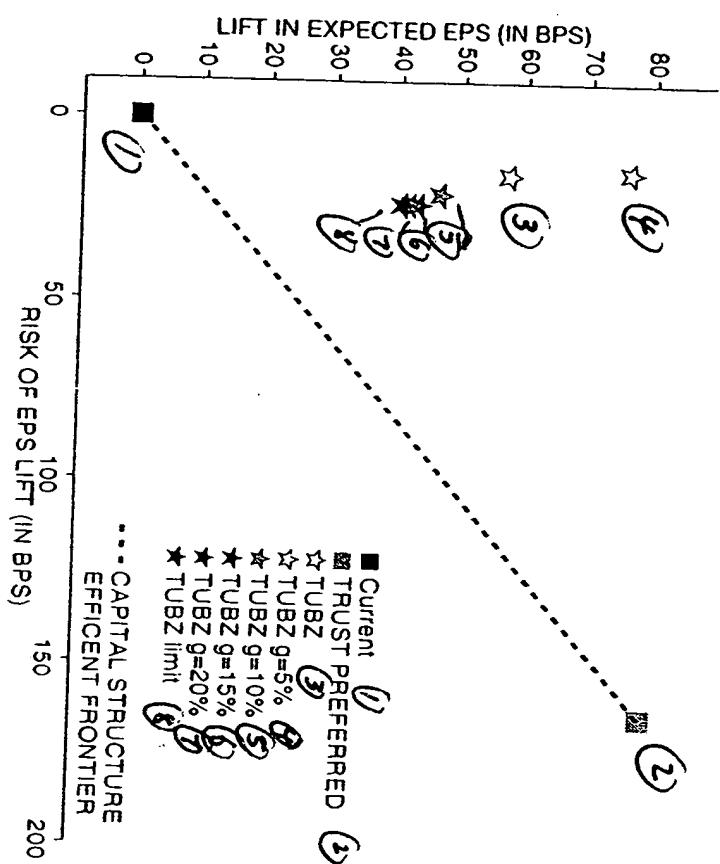
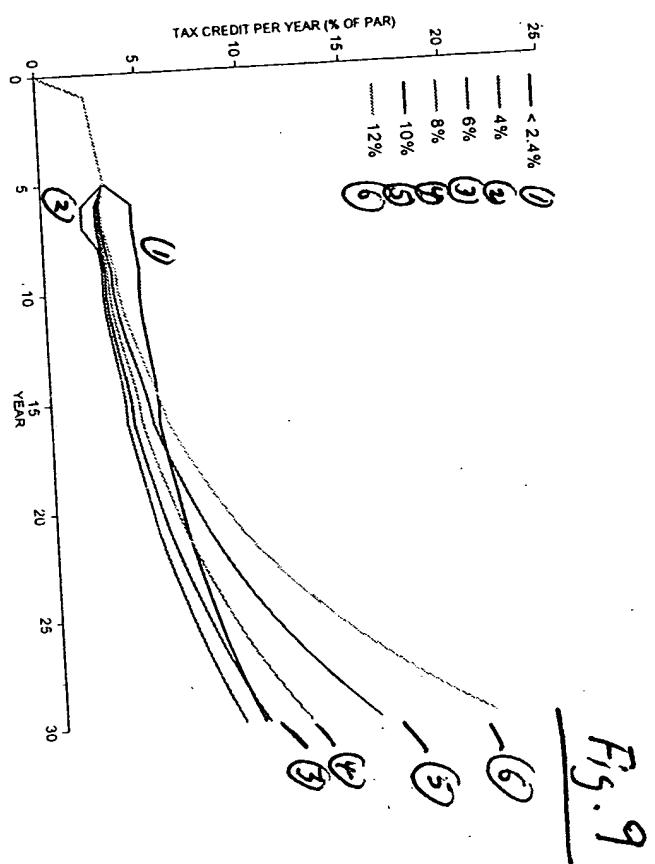
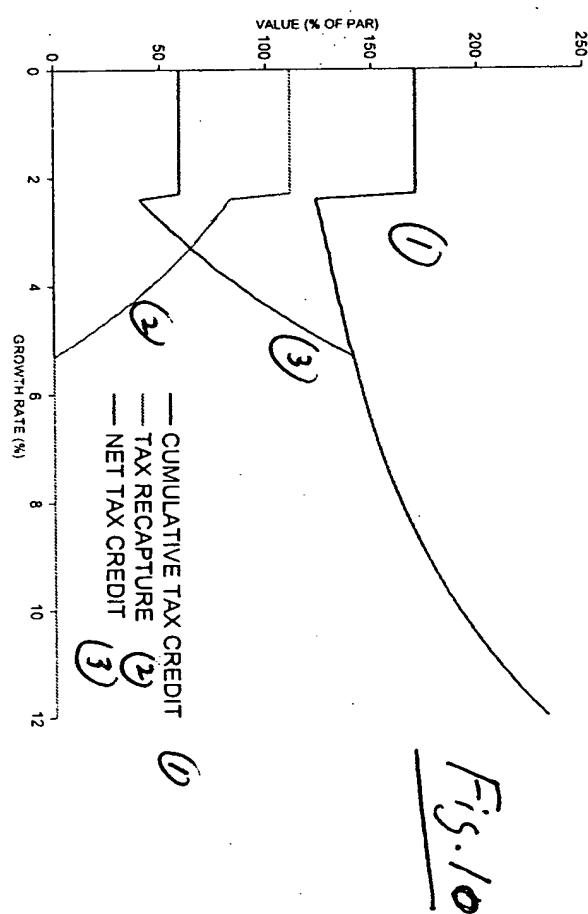


Fig. 8





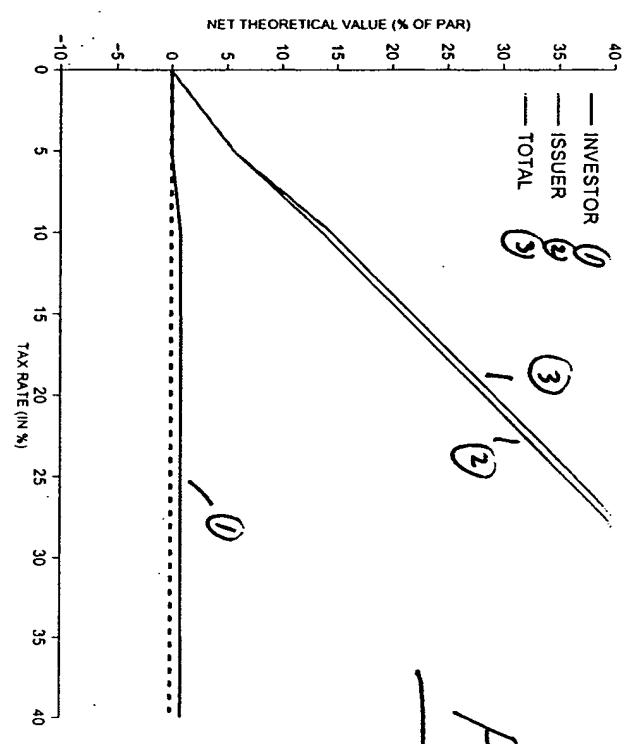
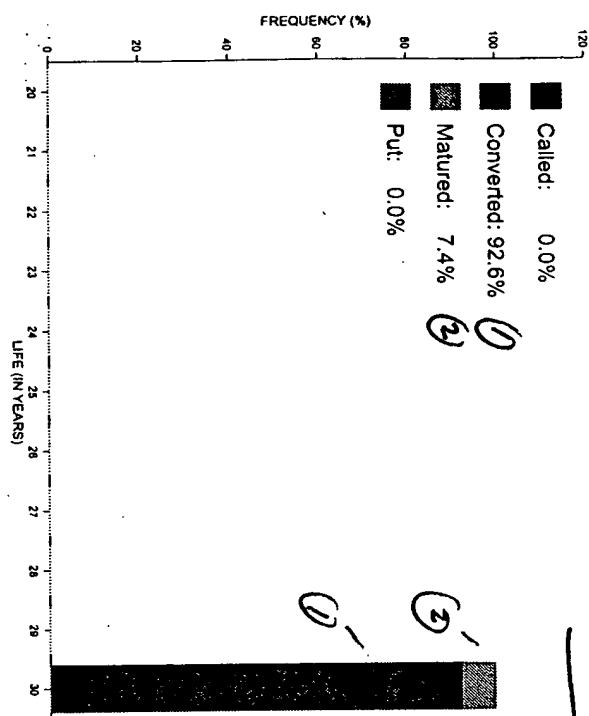
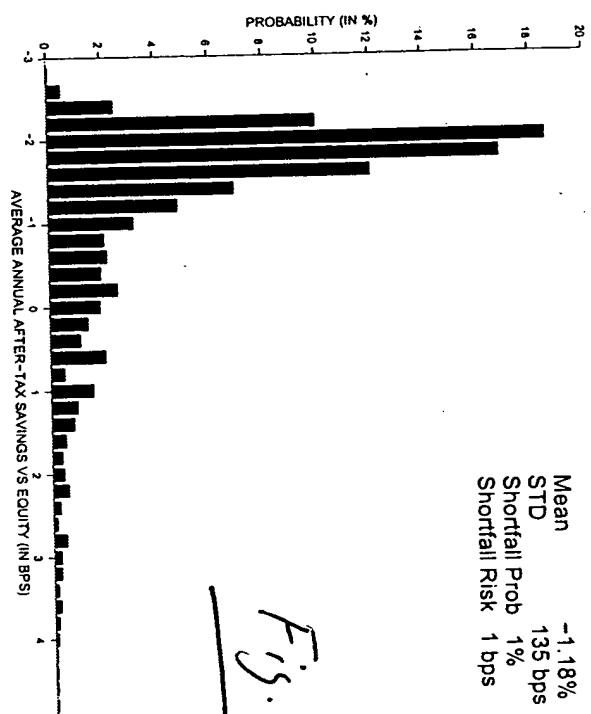


Fig. 11

Fig. 12





Figs. 13

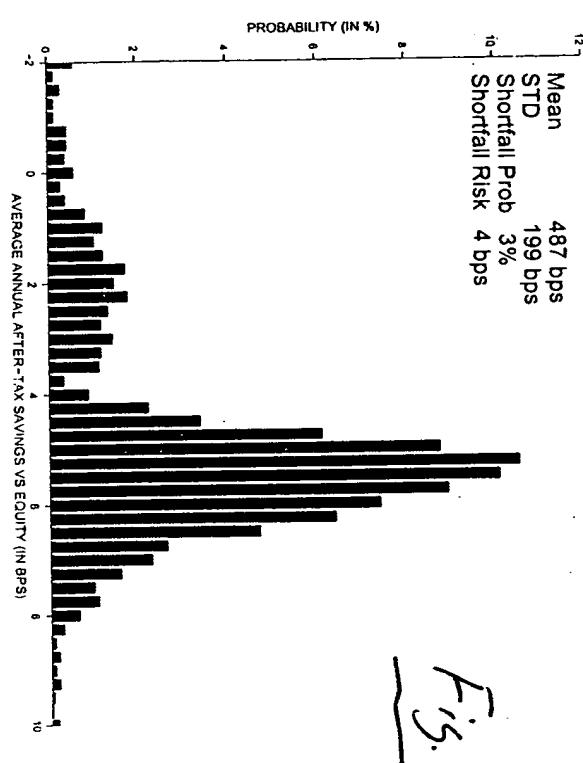


Fig. 14

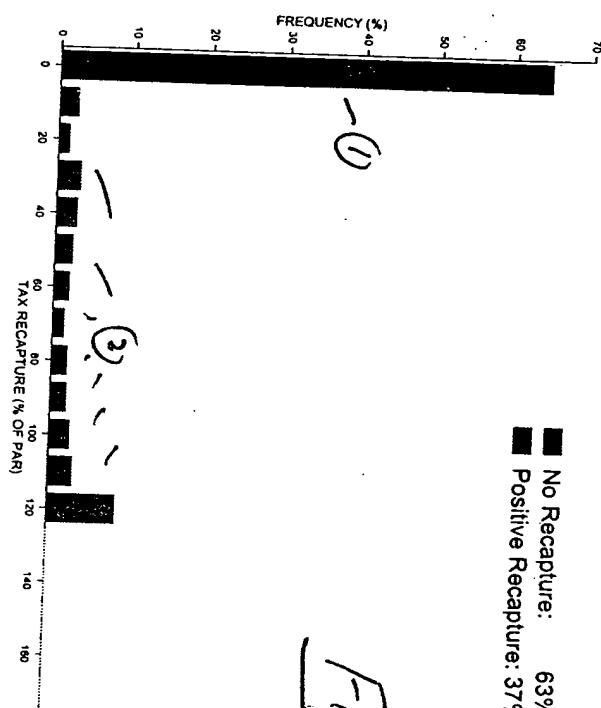


Fig 15

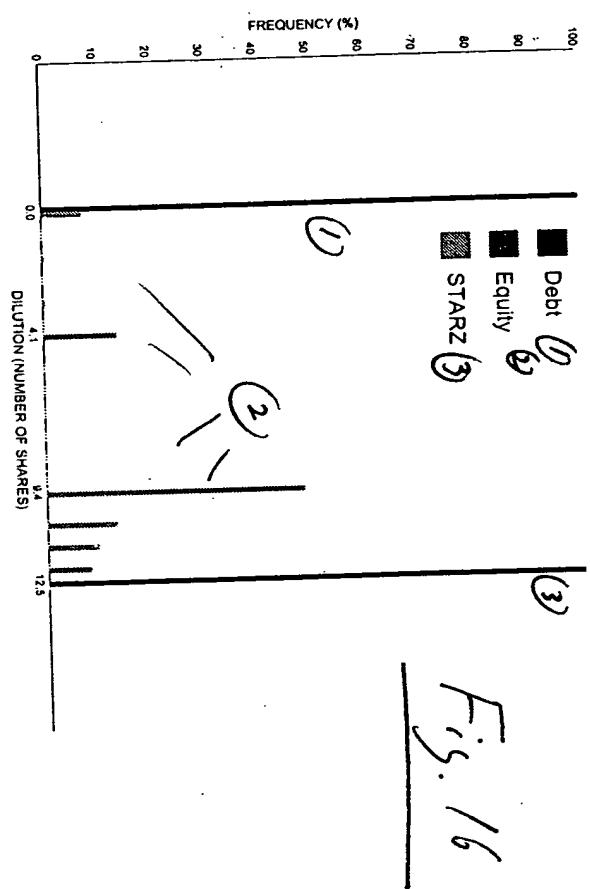


Fig. 17

